

Message Text

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12

ACTION EA-14

INFO OCT-01 EUR-25 NEA-10 ISO-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 EB-11 COME-00 TRSE-00 OMB-01

INT-08 SCEM-02 STR-08 CIEP-02 CEA-02 DRC-01 /162 W

----- 073024

R 110838Z JAN 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9225

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

C O N F I D E N T I A L TOKYO 0440

E.O. 11652: GDS

TAGS: ENRG, JA

SUBJ: INCREASED OIL FLOWS TO JAPAN

SUMMARY: MITI OFFICIALS CAUTIOUSLY OPTIMISTIC THAT JANUARY PETROLEUM ARRIVALS IN JAPAN WILL BE LARGER THAN EXPECTED. SOME MAJORS HAVE CLARIFIED NEW CUTBACK RATES. END SUMMARY

1. ON JANUARY 9, THE PETROLEUM ASSOCIATION OF JAPAN (PAJ) (REFINERS' INDUSTRY ASSN.) SUBMITTED ITS CONCLUSIONS ON RATE OF CRUDE OIL ARRIVALS IN JAPAN DURING JANUARY TO MITI. ACCORDING TO HAYASHI, DEP. HEAD OF INTERNATIONAL DIVISION OF MITI'S RESOURCES AND ENERGY AGENCY, ASSOCIATION PREDICTS THAT 23-24 MILLION KILOLITERS OF CRUDE OIL WILL ARRIVE IN JAPAN THIS MONTH. THIS COMPARES WITH EARLIER MITI ESTIMATES (TAKING INTO ACCOUNT RECENT OAPEC PRODUCTION INCREASES) OF 2 MILLION KILOLITERS FOR JANUARY. PRE-CRISIS MITI SUPPLY PLAN CALLED FOR 26.4 MILLION KILOLITERS IMPORT, MEANING THAT CUTBACK RATE FROM SUPPLY PLAN WILL BE REDUCED FROM MITI'S
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EARLIER ESTIMATE OF 20.5 PERCENT TO 9-13 PERCENT IF PAJ PRO-

JECTIONS PROVE CORRECT. BY COMPARISON HAYASHI SAID THAT PRELIMINARY FIGURES FOR DECEMBER INDICATED ARRIVALS WERE 19 PERCENT BELOW PLANNED LEVELS.

2. HAYASHI CAUTIONED THAT MITI HAS NOT YET FULLY EVALUATED PAJ FIGURES. MITI HAS ASKED INDIVIDUAL REFINERS TO SUBMIT RAW DATA TO CHECK ON PAJ FIGURES. HOWEVER, MITI OFFICIALS PLEASANTLY SURPRISED BY PAJ FIGURES AND HOPING THEY WILL PROVE CORRECT.

3. INDIVIDUAL SUPPLY PLANS OF MAJORS NOT YET FULLY ESTABLISHED; HOWEVER, FOLLOWING INFORMATION AVAILABLE FROM JAORS' REPRESENTATIVES IN TOKYO ON DELIVERIES NOW BEING MADE AT PRODUCING COUNTRY PORTS:

--BP INDICATED THAT IT WOULD NOT RAISE CUTBACK LEVELS TO 22.5 PERCENT OF CONTRACTED AMOUNTS AS IT HAD PLANNED, BUT WOULD RETAIN CUTBACK RATE OF 20 PERCENT IN JANUARY.

--CALTEX WILL SUPPLY IN JANUARY 85 PERCENT OF ITS ORIGINAL FORECAST MADE BEFORE CRISIS DEVELOPED.

--CFP WILL CUT CUSTOMERS BY 45 PERCENT OF CONTRACT VOLUMES IN JANUARY, BUT EXPECTS TO BE ABLE TO REDUCE CUTBACK TO 25 PERCENT RANGE IN FEBRUARY.

--EXXON ONLY ABLE TO TELL CUSTOMERS THAT OIL SUPPLIES WILL BE INCREASED IN PROPORTION TO ARAB ACTIONS AS ROUGH GUIDELINE.

--GULF, DESPITE PRESS REPORTS THAT IT WILL DELIVER FULL CONTRACT VOLUMES TO CUSTOMERS, HAS NOT YET DEVELOPED ITS POLICY. PRESIDENT OF GULF OIL-ASIA AND CRUDE OIL MANAGER ARE IN PITTSBURGH AND DECISION EXPECTED NEXT WEEK.

--MOBIL HAS NOT COMPREHENSIVE FIGURES AVAILABLE, BUT ACCORDING TO COMPANY SOURCE IS NOW SUPPLYING OIL IN QUANTITIES CLOSE TO PLANNED LEVELS UNQTE TO ITS AFFILIATES AND MAJOR CUSTOMERS.

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-- SHELL EXECUTIVES HAVE ALSO RETURNED TO HOME OFFICE TO TRY TO SORT OUT SITUATION.

4. MITI SOURCE ALSO INDICATED THAT TWO JAPANESE CONTROLLED OIL COMPANIES, ARABIAN OIL AND JAPAN OIL CO. (PRODUCING IN ABU DHABI), EXPECT TO BE ABLE TO PROVIDE NEARLY FULL AMOUNT THAT THEY PRODUCED IN SEPTEMBER 1973.

5. CRUDE OIL PRICE SITUATION BEGINNING TO CLARIFY WITH CFP AND BP ANNOUNCEMENTS OF PRICE LEVELS FOR JAPAN. CFP HAS INFORMED JAPANESE CUSTOMERS THAT ITS PRICE WILL BE 100 PERCENT OF POSTED PRICES FOR MURBAN AND IRANIAN CRUDES (\$11-\$12 PER BARREL). CFP SOURCE EXPLAINED THAT COMPANY SHORT OF OIL AND HAVING TO BUY OIL AT VERY NEARLY POSTED PRICES FROM OTHER SUPPLIERS; THEREFORE, IT ONLY PASSING ON HIGH PRICES IT FORCED TO PAY. BP ANNOUNCED THAT ITS PRICE OF IRANIAN CRUDE TO IDEMITSU KOSAN AND DAIKYO OIL WOULD BE \$8.20-8.40. PRESS SPECULATING THAT U.S. MAJORS WILL FOLLOW BP PATTERN IN NEAR FUTURE. EXXON SOURCE NOTED, HOWEVER, THAT IF KUWIAT FINALIZES ITS ACTION TO NATIONALIZE 60 PERCENT OF ITS OIL, AND REPORTS THAT KUWAIT WILL ALLOW MAJORS TO BUY BACK THIS OIL AT POSTED PRICES PROVE CORRECT, MAJORS' PRICE FOR KUWAIT OIL WILL RISE CONSIDERABLY. HE ADDED THAT IT, OBVIOUS GDEAUXZST# EXPERIENCES THAT OTHER PRODUCERS WOULD FOLLOW KUWAITI PATTERN. SHOESMITH

NOTE BY OC/T: #AS RECEIVED. WILL SERVICE UPON REQUEST.

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